

MEMORANDUM FOR: Betty/Debbie

asks that you please send copies of
DCI's letter to Secretary Regan to:

Robert McBrien
Special Assistant to Assistant Secretary Walker
Room 4314
Treasury

Douglas P. Mulholland
Special Assistant to the Secretary (National Security)
Room 4326
Treasury

Date 7 Jan 85

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The Director of Central Intelligence
Washington, D.C. 20505

NIC #00084-85
7 January 1985

National Intelligence Council

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

VIA: Chairman, National Intelligence Council


FROM: David B. Low
Acting NIO for Economics

SUBJECT: Forced Labor in the Soviet Union

1. Bob McBrien, Special Assistant to John Walker, Assistant Secretary for Enforcement and Operations at Treasury, called [] to request that we review the bidding on our analysis of the use of forced labor to produce goods imported by us from the Soviet Union. The International Trade Commission last month issued a report on the matter which gave estimates of possible items produced by forced labor in the USSR. SOVA analysts have reviewed the report and say that it buttresses the Treasury case that the government lacks sufficient detail on the production of such goods to take action.

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2. Walker would like a letter from you to Secretary Regan reaffirming your 14 May letter which states that the evidence is too fragmentary to make a case.


David B. Low

Attachments:

Letter to Secretary Regan
Letter to McNamar from DCI dtd 14 May 84

All portions Secret

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NIC #00084-85
7 January 1985

SUBJECT: Forced Labor in the Soviet Union

DCI/NIC/A/NIO/Econ: [] (7 Jan 85)

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The Director of Central Intelligence

Washington, D.C. 20505

The Honorable Donald T. Regan
Secretary of the Treasury
Washington, D.C. 20220

Dear Don,

In the wake of the release of the ITC report on the use of forced labor in foreign countries to produce goods for export, I thought I should write you to update the status of our research on this issue. Despite continued monitoring, we are unable to obtain sufficient facts to make a case that any particular good we receive from the USSR is produced by convict, forced, or indentured labor.

You will recall that on 14 May I sent you a letter which stated that according to our most recent analysis only 3 percent of total Soviet labor is forced so that it is likely that only in rare instances does such labor provide a large share of the total production of any good. That analysis remains valid, and I can find nothing in the ITC report that indicates the availability of more specific data. The data in that

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I remain convinced that the CIA should not be put in the position of having to prove a case on forced labor imports based on such sketchy evidence.

Yours,

William J. Casey

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The Director of Central Intelligence

Washington, D.C. 20505

Executive Registry

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14 May 1984

The Honorable R. T. McNamar
Deputy Secretary of the Treasury
Washington, D. C. 20220

Dear Tim,

I talked to Don on the phone on Friday on this
and I understand it was taken up with you today
through Doug Mulholland.

Yours,

Bill
William J. Casey

Enclosure

Distribution with Enclosure by ES/ER

Orig - Addressee
1 - LDX to NSC (Adm Poindexter)
1 - DCI
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The Director of Central Intelligence

Washington, D.C. 20505

• 14 May 1984

The Honorable Donald T. Regan
Secretary of the Treasury
Washington, D. C. 20220

Dear Don,

After our telephone conversation on Friday, I asked to see the evidence on the production and export of goods manufactured by convict, forced or indentured labor in the Soviet Union. As I suspected, the evidence is fragmentary and not very specific.

Also, on reflection I don't see that it does more than defer potential embarrassment from inadequate evidence for Treasury and Customs to prohibit importation and then to leave it up to the importers to certify that the item was not produced through the use of forced labor. I am also impressed by the State Department argument that to take this step now would be seen as a skimpy reaction to the Soviet Olympic decision.

I send along for your information two memoranda outlining the potential impact of this step on the CIA and the rest of the government. According to the State Department memorandum, the issuance of a preliminary finding would be based on a memorandum of 7 November 1983, sent by Maurice Ernst, National Intelligence Officer for Economics at CIA, to the Commissioner of Customs. That memorandum states that the evidence is too sketchy to permit calculation of what proportion of total Soviet production of the items listed is provided by forced laborers. It goes on to say that only 3 percent of the total Soviet labor is forced, so that it appears that only in rare instances does production by forced labor comprise a large share of total output of any given product. Also, 93 percent of the entries in the list refer to production before 1981, 5 percent do not give a date, and only 2 percent refer to production after 1980.

I don't want CIA to come under pressure to prove something with sketchy evidence or disclose our information sources, and I urge that all the implications of this step be carefully considered before moving on it.

Yours,



William J. Casey

Enclosures

P.S. I tried to get you on the phone today on this but couldn't reach you, so I asked Tim McNamar to add these further concerns since we talked on Friday.

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14 MAY 1984

MEMORANDUM FOR: Deputy Director for Intelligence

FROM:

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Director of Global Issues

SUBJECT: Soviet Forced Labor

1. According to Doug Mulholland who talked to Tim McNamar, Treasury is still up in the air as to what action they will take on the forced labor issue. The latest reading is that the Secretary and/or, Customs Commissioner von Raab may announce on Tuesday a preliminary finding that certain goods imported to the U.S. from the Soviet Union were produced in part using forced labor and that a final determination will not be made until the International Trade Commission completes its study on the same subject sometime in December.

2. Should Treasury and the Customs Commission invoke the relevant tariff act on such goods, i.e., prohibit importation, it is up to the importer of such merchandise to certify that the item was not produced with the use of forced labor specified in the findings.

3. The impact of all of this on CIA could be substantial.
The "burden of proof" may ultimately be on the CIA in arbitrating differences between Treasury and the private sector. Our evidence is sketchy and much of it dated. We would be under intense pressure to publicly disclose our information and sources.

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4. It is not clear what the U.S. is trying to get out of this. The economic consequences to the Soviet Union are probably marginal (forced labor constitutes only 3 percent of the total Soviet labor force) and the Soviets could retaliate, for example, by cancelling grain purchase commitments.

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